



**City of
Matlosana**
City of Matlosana

Annual Financial Statements
for the year ended June 30, 2018

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

General Information

Nature of business and principal activities	<p>To within its financial and administrative capacity :</p> <ul style="list-style-type: none">-provide democratic and accountable government for the community of Matlosana;-to ensure the provision of services to the community in a sustainable manner;-to promote social and economic development;-to promote a safe and healthy environment; and-to encourage the involvement of the community and community organisations in the matters of the municipality. <p>Legislation governing the operations of the municipality includes but are not limited to the following:-</p> <p>Municipal Structures Act 117 of 1998-Local Government: Municipal Systems Act 32 of 2000-Local Government: Municipal Finance Management Act 56 of 2003</p>
Mayoral committee	
Executive Mayor	Maetu Kgaile
Speaker	Washington Ntozini
Councillors	M.V Chinga (Chief Whip) M.F Nthaba. T.O Vilakazi. T.G Khoza. F.I Tagaree. M.L Mojaki. S.D Montoedi. N.S Mandela. N.A Matetoane. P.F Mabeli. S.J Daemane.
Accounting Officer	T.S.R Nkumise.
Chief Finance Officer (CFO)	M.K.G Ramorwesi.
Registered office	Bram Fischer Street Klerksdorp 2571
Business address	Bram Fischer Street Klerksdorp 2571
Postal address	P.O. Box 99 Klerksdorp 2570
Bankers	ABSA Bank Ltd First National Bank Investec Bank Limited Nedbank Limited
Auditors	Auditor General of South Africa

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature :

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MMC	Member of the Mayoral Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2019 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements is still subject to audit.

The annual financial statements set out on pages 4 to 71, which have been prepared on the going concern basis, were approved by the accounting officer on 28 September 2018 and were signed on its behalf by:

Accounting Officer
TSR Nkumise

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Statement of Financial Position as at June 30, 2018

Figures in Rand	Note(s)	2018	2017 Restated*
Assets			
Current Assets			
Inventories	8	45,468,334	38,057,066
Other financial assets	6	9,066,499	-
Receivables from exchange transactions	9	32,743,256	10,363,721
VAT receivable	11	97,668,650	43,137,827
Consumer debtors	12	358,590,205	285,321,220
Other receivables	7	26,987	24,987
Cash and cash equivalents	13	136,154,315	90,532,317
		679,718,246	467,437,138
Non-Current Assets			
Investment property	2	156,053,942	160,179,313
Property, plant and equipment	3	5,154,501,581	5,428,354,831
Intangible assets	4	648,654	4,578,555
Heritage assets	5	12,722,696	12,698,696
Other financial assets	6	23,099,799	30,059,029
Security Deposit paid to Eskom		15,000,002	15,000,002
Other receivables	7	84,415	112,477
Nature reserve - Wild stock		1,874,765	1,599,112
		5,363,985,854	5,652,582,015
Total Assets		6,043,704,100	6,120,019,153
Liabilities			
Current Liabilities			
Other financial liabilities	14	14,431,893	15,804,903
Payables from exchange transactions	17	904,850,933	706,816,316
Unspent conditional grants and receipts	15	27,770,139	8,586,956
Provisions	16	19,353,982	15,728,143
Consumer deposits		29,941,387	24,124,748
		996,348,334	771,061,066
Non-Current Liabilities			
Other financial liabilities	14	71,031,317	85,463,211
Provisions	16	423,017,406	412,163,698
		494,048,723	497,626,909
Total Liabilities		1,490,397,057	1,268,687,975
Net Assets		4,553,307,043	4,851,331,178
Accumulated surplus		4,553,307,043	4,851,331,178

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
Revenue			
Revenue from exchange transactions			
Market Dues		17,749,965	16,616,277
Service charges	21	1,430,644,777	1,389,127,035
Rendering of services		3,169	13,541
Rental of facilities and equipment		5,096,871	5,137,430
Other income		12,653,595	7,107,165
Miscellaneous other revenue		246,300	8,339
Market Dues		10,743,585	10,717,594
Connections and Reconnections		2,235,249	1,753,619
Rental income		387,906	273,955
Insurance Fees		297,101	627,965
Recoveries		261,127	20,220,782
Other income		17,004,486	14,321,867
Donations		14,932,787	20,836,637
Interest received - investment	28	231,828,446	170,467,245
Total revenue from exchange transactions		1,744,085,364	1,657,229,451
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	20	294,054,715	265,941,408
Transfer revenue			
Government grants & subsidies	22	537,839,816	477,693,095
Levies		1,207,710	1,490,257
Fines, Penalties and Forfeits		11,246,582	10,505,354
Total revenue from non-exchange transactions		844,348,823	755,630,114
Total revenue	19	2,588,434,187	2,412,859,565
Expenditure			
Employee related costs	25	(579,462,120)	(530,451,714)
Remuneration of councillors	26	(33,181,840)	(28,398,076)
Depreciation and amortisation	29	(434,791,075)	(411,711,664)
Finance costs	30	(45,826,282)	(43,954,964)
Lease rentals on operating lease		(40,897,252)	(28,889,458)
Debt impairment	27	(617,011,527)	(543,458,552)
Repairs and maintenance		(86,920,198)	(68,240,419)
Bulk purchases	33	(754,262,620)	(775,219,428)
Contracted services	32	(39,175,016)	(35,801,781)
General expenses	24	(254,930,393)	(254,252,867)
Total expenditure		(2,886,458,323)	(2,720,378,923)
Operating deficit		(298,024,136)	(307,519,358)
Deficit for the year		(298,024,136)	(307,519,358)

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	5,216,448,822	5,216,448,822
Adjustments		
Correction of errors	(57,598,285)	(57,598,285)
Balance at July 1, 2016 as restated*	5,158,850,537	5,158,850,537
Changes in net assets		
Deficit for the year	(307,519,359)	(307,519,359)
Total changes	(307,519,359)	(307,519,359)
Balance at July 1, 2017	4,851,331,177	4,851,331,177
Changes in net assets		
Deficit for the year	(298,024,134)	(298,024,134)
Total changes	(298,024,134)	(298,024,134)
Balance at June 30, 2018	4,553,307,043	4,553,307,043
Note(s)		

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
Sale of goods and services		1,034,418,980	1,075,678,225
Grants		557,022,999	475,531,596
Interest income		231,828,446	170,467,245
Other receipts		55,189,992	84,229,101
		<u>1,878,460,417</u>	<u>1,805,906,167</u>
Payments			
Employee costs		(595,517,054)	(556,219,853)
Suppliers		(966,593,178)	(944,436,224)
Finance costs		(45,826,282)	(43,954,964)
Vat received (paid)		(54,530,823)	(28,150,134)
		<u>(1,662,467,337)</u>	<u>(1,572,761,175)</u>
Net cash flows from operating activities	34	<u>215,993,080</u>	<u>233,144,992</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(160,548,673)	(149,824,458)
Proceeds from sale of property, plant and equipment	3	2,297,125	-
Purchase of investment property	2	-	(225,000)
Proceeds from sale of investment property	2	-	3,997,088
Purchases of heritage assets	5	(24,000)	-
Net movement of financial assets		(2,107,269)	(2,366,707)
Increase in deposits paid to Eskom		-	(2)
Net cash flows from investing activities		<u>(160,382,817)</u>	<u>(148,419,079)</u>
Cash flows from financing activities			
Repayment of other financial liabilities		(15,804,904)	(14,561,640)
Movement in consumer deposits		5,816,639	(5,184,269)
Repayment of liability to National Treasury		-	(16,596)
Net cash flows from financing activities		<u>(9,988,265)</u>	<u>(19,762,505)</u>
Net increase/(decrease) in cash and cash equivalents		45,621,998	64,963,408
Cash and cash equivalents at the beginning of the year		90,532,317	25,568,909
Cash and cash equivalents at the end of the year	13	<u>136,154,315</u>	<u>90,532,317</u>

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Sale of goods	18,037,000	-	18,037,000	17,749,965	(287,035)	1. The projections for service charges was to a large extent ambitious and this was not realised. 2. The other cause for the variance was the closure of mines, industrial sites and the use of solar power as an alternative energy source by businesses.
Service charges	1,667,029,854	-	1,667,029,854	1,430,644,777	(236,385,077)	
Rendering of services	-	-	-	3,169	3,169	The donations are voluntary and therefore cannot be accurately be budgeted for unless there is a commitment to donate before the budget is approved.
Rental of facilities and equipment	6,302,040	-	6,302,040	5,096,871	(1,205,169)	
Licences and permits	2,784,603	-	2,784,603	12,653,595	9,868,992	
Miscellaneous other revenue	221,554	-	221,554	246,300	24,746	
Commissions received	10,435,247	-	10,435,247	10,743,585	308,338	
Royalties received	1,950,000	-	1,950,000	2,235,249	285,249	
Rental income	355,000	-	355,000	387,906	32,906	
Discount received	591,577	-	591,577	297,101	(294,476)	
Recoveries	402,653	-	402,653	261,127	(141,526)	
Other income	26,854,293	-	26,854,293	17,004,486	(9,849,807)	
Donations Received	-	-	-	14,932,787	14,932,787	

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Annual Financial Statements for the year ended June 30, 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

		Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand							
Interest received - investment	164,384,346	-	164,384,346	231,828,446	67,444,100	An amount of R10 558 115 is interest on investment which is due to grants receipts invested for a longer period than anticipated due to late procurement of the contractors. The interest on debtors is due to growth of the debtors book.	
Total revenue from exchange transactions	1,899,348,167	-	1,899,348,167	1,744,085,364	(155,262,803)		
Revenue from non-exchange transactions							
Taxation revenue							
Property rates	378,836,528	-	378,836,528	294,054,715	(84,781,813)	The rebates were not adequately budgeted for and this led to the large variance.	
Transfer revenue							
Government grants & subsidies	364,420,050	-	558,678,580	537,839,816	(20,838,764)	The budget only consists of the operational grants and not capital grants.	
Levies	1,699,246	-	1,699,246	1,207,710	(491,536)		
Fines	7,398,596	-	7,398,596	11,246,582	3,847,986		
Total revenue from non-exchange transactions	752,354,420	-	946,612,950	844,348,823	(102,264,127)		
Total revenue	2,651,702,587	-	2,845,961,117	2,588,434,187	(257,526,930)		
Expenditure							
Personnel	(595,068,317)	3,610,317	(591,458,000)	(579,462,120)	11,995,880	The difference is due to resignations and retirements of officials and vacancies that were budgeted for but not filled.	
Remuneration of councillors	(31,657,489)	-	(31,657,489)	(33,181,840)	(1,524,351)		

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

		Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand							
Depreciation and amortisation	(492,000,000)	39,320	(491,960,680)	(434,791,075)	57,169,605	The budgeted amount was not accurately projected and that's the primary cause for the variance.	
Finance costs	(11,000,000)	4,476	(10,995,524)	(45,826,282)	(34,830,758)	The late payments of Department of Transport and Licensing, Midvaal and Eskom resulted in more interest being charged to the municipality.	
Lease rentals on operating lease	(46,434,077)	-	(46,434,077)	(40,897,252)	5,536,825		
Bad debts written off	(462,620,831)	-	(462,620,831)	(617,011,527)	(154,390,696)	The municipality did not collect as anticipated due to current economic conditions, increase in unemployment rate and high rate of retrenchments from the mines, this has resulted in the increase of debtors book.	
Repairs and maintenance	(106,789,359)	23,550	(106,765,809)	(86,920,198)	19,845,611	The low collection of revenue impacted on the overall spending as anticipated.	
Bulk purchases	(837,563,331)	-	(837,563,331)	(754,262,620)	83,300,711	Low growth of town and reduced consumption due to closing of business and other businesses opting for solar resulted in lower consumption of electricity.	
Contracted Services	(48,250,824)	-	(48,250,824)	(39,175,016)	9,075,808		
General Expenses	(341,562,077)	(3,677,663)	(345,239,740)	(254,930,393)	90,309,347	1. Low turnout of residents to register as indigents and implementation of cost of containment measures. 2. The low collection of revenue also impacted on the planned expenditure.	

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

		Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand							
Total expenditure	(2,972,946,305)		- (2,972,946,305)	(2,886,458,323)	86,487,982		
Deficit before taxation	(321,243,718)		- (126,985,188)	(298,024,136)	23,219,582		
Deficit for the year from continuing operations	(321,243,718)		- (321,243,718)	(298,024,136)	23,219,582		
Capital Expenditure	213,746,949	9,488,519	(204,258,430)	(160,308,593)	43,949,837	The municipality received additional funding for the MIG and INEP grants.	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	(534,990,667)	9,488,519	(525,502,148)	(458,332,729)	67,169,419		

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgements is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. When any significant judgements and sources of estimation uncertainty are applicable, they have been disclosed in the relevant policy.

1.4 Nature Reserve - Wild Stock

The entity recognises nature reserve - wild stock when:

- the entity controls the asset as a result of past events;
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality; and
- the fair value or cost of the asset can be measured reliably.

Nature Reserve - Wild Stock are measured at their fair value less costs to sell.

The fair value of the wild stock is determined based on auction prices.

A gain or loss arising on initial recognition of nature reserve - wild stock at fair value less costs to sell and from a change in fair value less costs to sell of a nature reserve - wild stock is included in surplus or deficit for the period in which it arises.

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Accounting Policies

1.5 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Cost model

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value over the useful life of the property, which is as follows:

Item	Useful life
Property - land	Indefinite

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Accounting Policies

1.6 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Average useful life
Buildings and Community Facilities	5 to 60 years
Furniture and fixtures	4 to 15 years
Infrastructure	
• Roads and paving	5 to 80 years
• Electricity	5 to 80 years
• Airports	5 to 80 years
• Wastewater network	5 to 80 years
• Water	5 to 80 years
Plant and equipment	4 to 20 years
Vehicles	4 to 20 years

Accounting Policies

1.6 Property, plant and equipment (continued)

Emergency equipment	4 to 20 years
Office equipment	4 to 10 years
Library Books	5 to 10 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits or service potential;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Accounting Policies

1.7 Intangible assets (continued)

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.8 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Heritage assets are shown at cost and are not depreciated owing to uncertainty regarding to their estimated useful lives.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

Accounting Policies

1.9 Financial instruments

Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through surplus or deficit - designated.
- Held-to-maturity investment.
- Loans and receivables.
- Financial liabilities measured at amortised cost.

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognised in surplus or deficit.

Subsequent measurement

Financial instruments at fair value through surplus or deficit are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in surplus or deficit for the period.

Net gains or losses on the financial instruments at fair value through surplus or deficit exclude dividends and interest.

Dividend income is recognised in surplus or deficit as part of other income when the municipality's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Accounting Policies

1.9 Financial instruments (continued)

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipality establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the municipality assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipality, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in surplus or deficit - is removed from equity as a reclassification adjustment and recognised in surplus or deficit.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in surplus or deficit except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

Payables from exchange transactions

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Accounting Policies

1.9 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the municipality's accounting policy for borrowing costs.

Derivatives

Derivative financial instruments, which are not designated as hedging instruments, consisting of foreign exchange contracts and interest rate swaps, are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains or losses reported in surplus or deficit.

Changes in the fair value of derivative financial instruments are recognised in surplus or deficit as they arise.

Derivatives are classified as financial assets at fair value through surplus or deficit - held for trading.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in surplus or deficit when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the municipality has the positive intention and ability to hold to maturity are classified as held to maturity.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial asset or financial liability classified as at fair value through surplus or deficit is recognised in surplus or deficit;
- a gain or loss on an available-for-sale financial asset is recognised directly in net assets, through the statement of changes in net assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in net assets is recognised in surplus or deficit; and
- for financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Accounting Policies

1.9 Financial instruments (continued)

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the municipality has transferred its rights to receive cash flows from the asset and either
 - has transferred substantially all the risks and rewards of the asset, or
 - has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

1.10 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability. The lease assets are depreciated at appropriate rates as per the relevant policy.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which benefit derived from the leased asset is diminished.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in restated deficit as per statement of changes in net assets.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern of the expense to the municipality.

Accounting Policies

1.11 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Accounting Policies

1.13 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of surplus sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Other post retirement obligations

The entity provides post-retirement health care benefit to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

1.15 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Accounting Policies

1.15 Provisions and contingencies (continued)

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Leave and bonus accruals :

- liabilities for annual leave and bonus are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end for the leave accrual and the bonus accrual based on the initial inception of the service month.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is:

- (a) a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality; or
- (b) a present obligation that arises from past events but is not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - the amount of the obligation cannot be measured with sufficient reliability.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, a municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.16 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and

Accounting Policies

1.16 Commitments (continued)

- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

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1.17 Revenue from exchange transactions (continued)

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.18 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Revenue from the issuing of fines is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

The municipality has two types of fines: spot fines and summonses. There is uncertainty regarding the probability of the flow of economic benefits or service potential in respect of spot fines as these fines are usually not given directly to an offender. Further legal processes have to be undertaken before the spot fine is enforceable. In respect of summonses the public prosecutor can decide whether to waive the fine, reduce it or prosecute for non-payment by the offender. An estimate is made for the revenue amount collected from spot fines and summonses based on past experience of amounts collected. Where a reliable estimate cannot be made of revenue from summonses, the revenue from summonses is recognised when the public prosecutor pays over to the entity the cash actually collected on summonses issued.

Levies

Levies are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Levies are based on declarations completed by levy payers. The estimate of levies revenue when a levy payer has not submitted a declaration are based on the following factors:

- the extent and success of procedures to investigate the non-submission of a declaration by defaulting levy payers;
- internal records maintained of historical comparisons of estimated levies with actual levies received from individual levy payers;

Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

- historical information on declarations previously submitted by defaulting levy payers; and
- the accuracy of the database of levy payers as well as the frequency by which it is updated for changes.

Changes to estimates made when more reliable information becomes available are processed as an adjustment to levies revenue.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed program may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a reimbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

1.19 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.20 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.21 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.22 Unauthorised expenditure

Unauthorised expenditure means any expenditure incurred otherwise than in accordance with section 15 or 11(3) of the MFMA and includes :

- overspending of the total amount appropriated in the approved budget;
- overspending of the total amount appropriated for a vote in the approved budget;
- expenditure from a vote unrelated to the department or functional area covered by the vote;
- expenditure of money appropriated for a specific purpose, otherwise than for that specific purpose;
- spending of an allocation referred to in paragraph (b), (c) or (d) of the definition of "allocation" otherwise than in accordance with any conditions of the allocation; or
- a grant by the municipality otherwise than in accordance with the act.

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Accounting Policies

1.23 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the restated deficit as per statement of changes in net assets in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the restated deficit as per statement of changes in net assets.

1.24 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Restated deficit as per Statement of changes in Net Assets and where recovered, it is subsequently accounted for as revenue in the Restated deficit as per Statement of changes in Net Assets.

1.25 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.26 Gratuities

The municipality provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the restated deficit as per statement of changes in net assets when the gratuity is paid.

1.27 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the restated deficit as per statement of changes in net assets.

Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the restated deficit as per statement of changes in net assets in the same period in which the hedged firm commitment or forecasted transaction affects net surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the restated deficit as per statement of changes in net assets as they arise.

1.28 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.29 Segmental information

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices C and D, based on the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury. The municipality operates solely in its area of jurisdiction as determined by the Demarcation Board.

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Accounting Policies

1.29 Segmental information (continued)

Segment information is prepared in conformity with the accounting policies applied for preparing and presenting the financial statements.

1.30 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.31 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.32 Retirement benefits

Councillors and employees as well as Council contribute to the following pension and provident funds, which provide retirement benefits to such Councillors and employees:

- Municipal Employees Gratuity Fund.
- Pension Fund for Municipal Councillors.
- National Fund for Municipal Workers.
- SALA Pension Fund.
- SAMWU Provident Fund.
- Municipal Employees Pension Fund.

Council does not operate or are not involved in a guaranteed benefit pension scheme. The above schemes are only based on guaranteed contributions from the side of the employer.

1.33 Going concern

These annual financial statements have been prepared on a going concern basis.

1.34 Comparative information

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are also reclassified.

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Accounting Policies

1.35 New Standards and Interpretations

Application of all of the GRAP standards listed below will be effective from a date to be announced by the Minister of Finance.

Management has considered all the of the listed GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

- GRAP 18 Segment Reporting.
- GRAP 105 Transfers between entities under common control.
- GRAP 106 Transfers between entities not under common control.
- GRAP 107 Mergers.

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand

2018

2017

2. Investment property

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	156,053,942	.	156,053,942	160,179,313	.	160,179,313

Reconciliation of investment property - 2018

	Opening balance	Additions	Disposals	Transfers	Total
Investment property	160,179,313	240,000	(3,359,323)	(1,006,048)	156,053,942

Reconciliation of investment property - 2017

	Opening balance	Additions	Disposals	Total
Investment property	167,258,011	225,000	(7,303,698)	160,179,313

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	107,267,973	-	107,267,973	113,870,736	-	113,870,736
Buildings	474,737,404	(203,021,221)	271,716,183	473,256,237	(179,188,402)	294,067,835
Infrastructure	10,433,433,786	(6,219,302,344)	4,214,131,442	10,278,288,029	(5,882,971,244)	4,395,316,785
Community	1,012,129,442	(501,529,696)	510,599,746	1,015,259,994	(445,336,826)	569,923,168
Other property, plant and equipment	149,037,243	(98,251,006)	50,786,237	149,465,726	(94,289,419)	55,176,307
Total	12,176,605,848	(7,022,104,267)	5,154,501,581	12,030,140,722	(6,601,785,891)	5,428,354,831

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Depreciation and Impairment	Total
Land	113,870,736	-	(6,680,848)	78,085	-	-	-	107,267,973
Buildings	294,067,835	1,481,167	-	-	-	-	(23,832,819)	271,716,183
Infrastructure	4,395,316,784	165,460,351	(5,556,953)	-	-	-	(341,088,740)	4,214,131,442
Community	569,923,168	5,175,297	(4,931,645)	-	-	-	(59,567,074)	510,599,746
Other property, plant and equipment	55,176,308	3,124,565	(1,142,092)	-	-	-	(6,372,543)	50,786,238
Total	5,428,354,831	175,241,380	(18,311,538)	78,085	-	-	(430,861,176)	5,154,501,582

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Depreciation	Total
Land	101,324,794	20,362,345	(7,816,403)	-	-	-	-	113,870,736
Buildings	311,707,187	6,025,189	-	-	-	-	(23,664,541)	294,067,835
Infrastructure	4,609,661,466	130,917,127	(20,854,199)	-	-	-	(324,407,610)	4,395,316,784
Community	614,941,158	9,747,018	-	-	-	-	(54,765,008)	569,923,168
Other property, plant and equipment	61,115,463	3,609,416	(674,066)	-	-	-	(8,874,505)	55,176,308
	5,698,750,068	170,661,095	(29,344,668)	-	-	-	(411,711,664)	5,428,354,831

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Community	Included within Buildings PPE	Total
Opening balance	114,916,428	22,618,264	4,043,907	141,578,599
Additions/capital expenditure	142,607,340	3,180,092	-	145,787,432
Transferred to completed items	(12,857,556)	(14,395,334)	(4,043,907)	(31,296,797)
	244,666,212	11,403,022	-	256,069,234

Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Community	Included within Buildings PPE	Total
Opening balance	98,973,242	13,335,749	-	112,308,991
Additions/capital expenditure	58,900,199	9,282,515	4,043,907	72,226,621
Transferred to completed items	(42,957,013)	-	-	(42,957,013)
	114,916,428	22,618,264	4,043,907	141,578,599

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand

4. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	4,578,555	(3,929,901)	648,654	4,578,555	.	4,578,555

Reconciliation of intangible assets - 2018

	Opening balance	Impairment loss	Total
Computer software, other	4,578,555	(3,929,901)	648,654

Reconciliation of intangible assets - 2017

	Opening balance	Total
Computer software, other	4,578,555	4,578,555

Other information

Intangible assets with indefinite lives:

The useful life of "x trade mark" is considered indefinite. It is not bound by any expiry period as there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the municipality.

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand

5. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Museum collectable, Monuments and Heritage sites	12,722,696	.	12,722,696	12,698,696	.	12,698,696

Reconciliation of heritage assets 2018

	Opening balance	Additions	Total
Museum collectable, Monuments and Heritage sites	12,698,696	24,000	12,722,696

Reconciliation of heritage assets 2017

	Opening balance	Total
Museum collectable, Monuments and Heritage sites	12,698,696	12,698,696

Heritage assets which fair values cannot be reliably measured

Heritage Assets

The following heritage assets cannot be reliably measured: 15 Grave stones/graves, 6 Monuments, 1 railway line bridge, 1 old mine shaft, 1 rock engraving, 1 foundation and 1 rock wall. Fair value cannot be determined reliably due to the uniqueness of the asset and no market exists for the assets to establish a reasonable value.

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
6. Other financial assets		
At amortised cost		
Investments	32,166,298	30,059,029
The municipality has not reclassified any financial assets from amortised cost to fair value or from fair value to amortised during the current or prior year.		
Non-current assets		
At amortised cost	23,099,799	30,059,029
Current assets		
At amortised cost	9,066,499	-
Financial assets at amortised cost		
Nominal value of Investments		
Nedcor FK183349	23,099,799	21,697,304
The Nedcor investment is encumbered by a pledge of R3 700 000.		
Sanlam Capital guaranteed fund - 040710409X0	568,102	524,109
Sanlam Capital guaranteed fund - 040644725X0	8,498,397	7,837,616
	32,166,298	30,059,029
7. Other receivables		
Loan to Klerksdorp Rolbalklub		
Short term portion of loan	26,987	24,987
Long term portion of loan	84,415	112,987
	111,402	137,974
An existing loan to the Klerksdorp Rolbalklub is being repaid with an interest rate of 5% applicable. The MFMA stopped the practice of giving loans to sport bodies		
8. Inventories		
Consumable stores	42,358,195	35,081,646
Water	2,665,210	2,547,426
Museum stores - at authorised value	83,196	77,566
Unsold properties held for resale at council resolution or municipal valuation	361,733	350,428
	45,468,334	38,057,066
9. Receivables from exchange transactions		
Deposits	818,117	818,117
Receivables	26,415,780	13,986,802
Market	10,221,337	-
Housing and housing rentals	1,307,794	1,318,235
Impairment of other receivables	(6,019,769)	(5,759,435)
	32,743,259	10,363,719

Reconciliation of provision for impairment of trade and other receivables

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
9. Receivables from exchange transactions (continued)		
Opening balance	(5,759,435)	-
Provision for impairment	(260,334)	(5,759,435)
	(6,019,769)	(5,759,435)
10. Receivables from non-exchange transactions		
Fines	31,847,049	23,037,643
Impairment of fines	(31,847,049)	(23,037,643)
	-	-
Receivables from non-exchange transactions impaired		
As of June 30, 2018, other receivables from non-exchange transactions of R31,847,049 (2017: R23,037,643) were impaired and provided for.		
The amount of the provision was R(31,847,049) as of June 30, 2018 (2017: R23,037,643).		
Reconciliation of provision for impairment of receivables from non-exchange transactions		
Opening balance	(23,037,643)	(14,966,780)
Provision for impairment additions	(8,809,406)	(8,070,863)
	(31,847,049)	(23,037,643)
11. VAT receivable		
VAT	97,668,650	43,137,827
12. Consumer debtors		
Gross balances		
Rates	193,366,909	155,214,166
Electricity	324,696,294	378,569,682
Water	993,771,795	936,443,083
Sewerage	164,486,795	181,820,449
Refuse	278,217,633	274,528,683
Interest on overdue accounts	687,788,374	647,024,761
Other	289,940,723	305,852,204
	2,932,268,523	2,879,453,028
Less: Allowance for impairment		
Rates	(175,195,770)	(144,371,236)
Electricity	(247,510,112)	(301,502,451)
Water	(864,020,368)	(837,477,556)
Sewerage	(149,029,587)	(169,118,860)
Refuse	(252,072,872)	(255,350,695)
Interest on overdue accounts	(623,155,294)	(601,824,990)
Other	(262,694,316)	(284,486,021)
	(2,573,678,319)	(2,594,131,809)

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
12. Consumer debtors (continued)		
Net balance		
Rates	18,171,140	10,842,930
Electricity	77,186,182	77,067,231
Water	129,751,426	98,965,527
Sewerage	15,457,209	12,701,589
Refuse	26,144,761	19,177,989
Interest on overdue accounts	64,633,080	45,199,771
Other	27,246,407	21,366,183
	358,590,205	285,321,220
Rates		
Current (0 -30 days)	21,612,275	18,631,027
31 - 60 days	9,019,372	5,511,977
61 - 90 days	6,300,560	4,131,023
91+ days	156,434,702	126,940,138
Provision for bad debts	(175,195,769)	(144,371,235)
	18,171,140	10,842,930
Electricity		
Current (0 -30 days)	97,514,017	96,484,136
31 - 60 days	15,756,745	14,198,462
61 - 90 days	11,515,535	7,868,852
91 + days	199,909,997	260,018,232
Provision for bad debts	(247,510,112)	(301,502,451)
	77,186,182	77,067,231
Water		
Current (0 -30 days)	80,599,027	68,894,820
31 - 60 days	33,022,635	25,674,896
61 - 90 days	26,330,963	24,030,915
91 + days	853,819,169	817,842,452
Provision for bad debts	(864,020,368)	(837,477,556)
	129,751,426	98,965,527
Sewerage		
Current (0 -30 days)	8,403,236	6,763,590
31 - 60 days	4,706,873	4,018,219
61 - 90 days	4,016,928	4,218,100
91 + days	147,359,759	166,820,540
Provision for bad debts	(149,029,587)	(169,118,860)
	15,457,209	12,701,589
Refuse		
Current (0 -30 days)	9,759,750	8,901,426
31 - 60 days	6,964,294	6,171,569
61 - 90 days	6,532,498	7,076,321
91 + days	254,961,091	252,379,368
Provision for bad debts	(252,072,872)	(255,350,695)
	26,144,761	19,177,989

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
12. Consumer debtors (continued)		
Interest on overdue accounts		
Current (0 -30 days)	22,950,911	17,217,717
31 - 60 days	20,136,173	16,791,198
61 - 90 days	20,362,870	18,817,904
91 + days	624,339,050	594,197,942
Provisions for bad debts	(623,155,924)	(601,824,990)
	64,633,080	45,199,771
Other		
Current (0 -30 days)	21,917,978	13,561,713
31 - 60 days	10,170,180	7,673,807
61 - 90 days	7,512,253	6,953,720
91 + days	250,340,312	277,662,964
Provision for bad debts	(262,694,316)	(284,486,021)
	27,246,407	21,366,183
Reconciliation of allowance for impairment		
Balance at beginning of the year	(2,594,131,809)	(2,131,800,316)
Contributions to allowance	(663,481,377)	(568,164,833)
Debt impairment written off against allowance	195,707,900	105,833,340
Reversal of allowance	488,226,967	-
	(2,573,678,319)	(2,594,131,809)

Credit quality of consumer debtors

In determining the recoverability of a receivable, the City considers any change in the credit quality of the receivable from the date on which the credit was initially granted, up to the reporting date. The concentration of credit risk is limited but take into consideration the repayments trends and collections rate, as the customer base is large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

The carrying value of consumer debtors approximate fair value.

13. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	68,500	68,500
Bank balances	30,191,892	33,019,021
Short-term deposits	105,893,922	57,444,797
	136,154,314	90,532,318

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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13. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2018	30 June 2017	June 30, 2016	June 30, 2018	30 June 2017	June 30, 2016
ABSA Bank - cheque account - 4060008684	332,392	339,485	321,037	225,880	260,942	234,245
ABSA Bank - cheque account - 01000100176	1,112,405	26,404,536	16,603,440	17,545,389	31,863,888	11,389,618
ABSA Bank - cheque account - 950164379 (Council water)	693,861	1,472,047	154,406	12,180,244	653,812	463,145
ABSA Bank - cheque account - 950000090 (Market)	2,151,346	864,395	926,883	92,062	92,062	92,062
ABSA Bank - 407826177 - Call Account	37,588,880	400,026	165,330	37,982,810	400,026	165,330
ABSA Bank - 4081494682 - Call	22,930,572	18,704,344	1,749,359	22,930,572	18,704,344	1,749,359
ABSA Bank - 4086111223 - Call Account	25,041,583	24,827,783	643,442	25,165,152	24,833,009	643,442
ABSA Bank - 4073033854 - Call Account	12,046	1,741,484	424,509	12,078	1,741,484	424,509
ABSA Bank - 9056825047 - Call Account	8,818,737	46,068	43,788	8,860,684	46,068	43,788
ABSA Bank - 9074204063 - Call Account	174,519	172,478	169,646	174,645	172,478	169,646
ABSA Bank - 9090072264 - Call Account	4,693,510	5,865,914	5,582,731	4,704,312	5,865,914	5,582,731
Investec Bank - 30000123771 - Call Account	5,958,203	5,584,257	5,218,153	5,958,203	5,584,257	5,218,153
FNB - 71037411669 - Collateral	42,797	39,748	36,975	42,797	34,778	36,975
FNB - 70379020873 - Collateral	14,000	14,000	14,000	14,000	14,000	14,000
FNB - 71039866474 - Collateral	-	55,025	51,379	48,438	48,438	51,379
ABSA Bank - call account - 4071085841 (Housing)	143,968	139,558	148,713	148,317	148,317	148,317
Total	109,708,819	86,671,148	32,253,791	136,085,583	90,463,817	26,426,699

14. Other financial liabilities

At amortised cost

Shiva Uranium 32,409,664 32,409,664

The loan is interest free and repayable by selling portable water to the company at R0.50 per kilolitre discount to the regular price of potable water pumped.

Annuity loans 53,053,546 68,858,450

Refer to appendix A for more detail on long-term liabilities.

85,463,210 101,268,114

Total other financial liabilities

85,463,210 101,268,114

Non-current liabilities

At amortised cost 71,031,317 85,463,211

Current liabilities

At amortised cost 14,431,893 15,804,903

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
15. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
MIG	20,197,218	166,085
INEP	183,948	1,068,976
FMG	-	6,010
DWAF	276,464	276,464
EPWP	140,567	2,466
Fire Grant	131,963	255,183
Library grant	1,795,151	1,781,810
NDPG Grant	43,016	28,150
Dr Kenneth Kaunda District Municipality	213,176	213,176
Disaster Assessment Management Grant	200,000	200,000
District Grant	4,581,284	4,581,284
Museum Grant	7,352	7,352
	27,770,139	8,586,956

See note 22 for reconciliation of grants from National or Provincial Government.

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand

16. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Environmental rehabilitation	110,498,252	5,781,679	116,279,931
Continuous medical aid contribution	262,713,356	2,587,992	265,301,348
Long service awards	54,680,233	6,109,876	60,790,109
	427,891,841	14,479,547	442,371,388

Reconciliation of provisions - 2017

	Opening Balance	Additions	Reduction due to re-measurement or settlement without cost to entity	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	105,015,030	5,483,222	-	-	110,498,252
Continuous medical aid contribution	273,032,107	-	-	(10,318,751)	262,713,356
Long service awards	52,050,296	2,629,937	-	-	54,680,233
	430,097,433	8,113,159	-	(10,318,751)	427,891,841
Non-current liabilities	423,017,406	412,163,698			
Current liabilities	19,353,982	15,728,143			
	442,371,388	427,891,841			

There are uncertainties about timing of the outflows of economic benefits as a result of the provisions above.

There are no expected reimbursements in respect of the provisions.

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16. Provisions (continued)

Environmental rehabilitation provision

In terms of the licensing of the landfill refuse sites, the municipality will incur rehabilitation costs to restore the site at the end of its useful life. Provision has been made for the net present value of this cost.

Assumption used

- The discount rate used of 6.24% is the weighted average cost of capital (WACC) calculated for both the Klerksdorp and Hartbeesfontein landfill sites.
- The annual inflation rate : 4.08%
- The scheduled dates of total closure and rehabilitation are anticipated to be between 2025 and 2028

Employee benefit cost provision

	Year ending 30/06/2019	2018	2017
Opening defined benefit obligation	265,301,348	262,713,356	273,032,107
Plus Service Cost	10,145,842	10,659,447	11,878,202
Plus Interest / Finance Cost	24,626,564	24,597,964	25,355,841
Actuarial (Gain)/Loss	-	(21,591,657)	(37,321,725)
Expected Employer Benefit Payments	(11,871,426)	(11,077,762)	(10,231,069)
	288,202,328	265,301,348	262,713,356

General description of the type of plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

The principal actuarial assumptions at the balance sheet date (expressed as weighted averages) are as follows:

Discount rate : 9.56% (2017 :9.49%)

Health care cost inflation rate: 7.86% (2017 : 7.35%)

Net effective discount rate: 1.58% (2017 : 1.99%)

Take-up by retired employees : 100% (2017 : 100%)

Retirement age : 65 (2017 : 65)

Proportion assumed married at retirement: 45% (2017: 45%)

Proportion of eligible current non-member employees joining the scheme by retirement 25% (2017: 25%)

Pre retirement mortality : SA85-90 Light (2017 : SA85-90 Light)

Post retirement mortality : PA[90] (2017 : PA[90])

Sensitivity Analysis

The table below indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 16% higher than that shown.
(R millions)

City of Matlosana

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16. Provisions (continued)

Assumption	Change	In-service members	Continuation members	Total	% change
Central assumptions		136.322	128.979	265.301	
Health care inflation	+1%	167.157	140.499	307.656	16%
	-1%	112.047	118.876	230.922	-13%
Discount rate	+1%	112.661	119.145	231.806	-13%
	-1%	166.793	140.370	307.162	16%
Post-retirement mortality	-1 yr	141.172	134.208	275.381	4%
Average retirement age	-1 yr	149.512	128.979	278.492	5%
Continuation of membership at retirement	-10%	118.333	128.979	247.313	-7%

Sensitivity Analysis Continued

The table below summarises the results of this analysis on the Current-service and Interest Costs for the year ending 30 June 2018.
(R millions)

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% change
Central assumptions		10,659,400	24,598,000	35,257,400	
Health care inflation	+1%	13,424,900	28,740,900	42,165,800	20%
	-1%	8,535,600	21,251,900	29,787,500	-16%
Discount rate	+1%	8,659,500	23,555,000	32,214,500	-9%
	-1%	13,282,200	25,709,000	38,991,200	11%
Post-retirement mortality	-1 yr	11,052,400	25,579,600	36,632,000	4%
Average retirement age	-1 yr	11,494,400	25,830,700	37,325,100	6%
Continuation of membership at retirement	-10%	9,252,400	22,874,900	32,127,300	-9%

History of Liabilities, Assets and Experience Adjustments

The table below summarises the accrued liabilities and the plan assets for the current period and the previous four periods

History of liabilities and assets (R millions)

Liability history	30/06/2016	30/06/2017	30/06/2018
Accrued liability	273.032	262.713	265.301
Fair value of plan asset	0.000	0.000	0.000
Surplus / (Deficit)	(273.032)	(262.713)	(265.301)

The table below summarises the experience adjustments for the current period and the previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

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16. Provisions (continued)

History of experience adjustments: Gains and Losses (R millions)

Experience adjustments	Year ending 30/06/2017	Year ending 30/06/2018
Liabilities: (Gain) / Loss	(4.244)	(4.015)
Assets: Gain / (Loss)	0.000	0.000

Provision for Long Service Awards

	Year ending 30/06/2019	2018	2017
Balance at beginning of year	60,790,109	54,680,233	52,050,287
Current-service cost	5,022,754	4,714,850	4,715,259
Interest cost	4,912,835	4,465,584	4,293,517
Benefits Paid/ Expected benefits	(7,482,556)	(4,650,381)	(4,511,190)
Actuarial Loss / (Gain)	-	1,579,823	(1,867,640)
	63,243,142	60,790,109	54,680,233

General description of the type of plan

The Municipality operates an unfunded defined benefit plan for all its employees whereby the Municipality offers employees Long Service Awards for every five years of service completed, from ten years of service to 45 years of service. Under the plan, a Long-service Award is payable after 10 years of continuous service,

Principal assumptions used as at the balance sheet date

Discount Rate: 8.60% (2017: 8.52%)

Cost Inflation Rate: 6.20% (2017: 6.34%)

Net Effective Discount Rate: 2.26% (2017 :2.05%)

Expected Retirement Age: 65 (2017:65)

Mortality during employment: SA85-90 Light (2017 : SA85-90 Light)

Sensitivity Analysis

The table below summarises the results of the sensitivity analysis.

Sensitivity Analysis on the Unfunded Accrued Liability (in R Millions)

Assumption	Change	Liability	% change
Central assumptions		60.790	
General earnings inflation	+1%	64.882	7%
	-1%	57.099	-6%
Discount rate	+1%	56.950	-6%
	-1%	65.124	7%
Average retirement age	-2 yrs	55.539	-9%
	+2 yrs	66.210	9%
Withdrawal rates	-50%	67.811	12%

The table below summarises the results of this analysis on the Current-service and Interest Costs for the year ending 30 June 2018.

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16. Provisions (continued)

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% change
Central assumptions		4,714,900	4,465,600	9,180,500	
General earnings	+1%	5,123,000	4,792,000	9,915,000	8%
inflation	-1%	4,352,000	4,171,500	8,523,500	-7%
Discount rate	+1%	4,380,900	4,648,700	9,029,600	-2%
	-1%	5,095,900	4,246,000	9,341,900	2%
Average retirement age	-2 yrs	4,335,900	4,054,500	8,390,400	-9%
	+2 yrs	5,066,700	4,881,300	9,948,000	8%
Withdrawal rates	-50%	5,650,600	5,044,100	10,694,700	16%

History of Liabilities, Assets and Experience Adjustments

The table below summarises the accrued liabilities and the plan assets for the current period and the previous periods.

Liability history	30/06/2014	30/06/2015	30/06/2016	30/06/2017	30/06/2018
Accrued liability	46,222,438	50,676,361	52,050,287	54,680,233	60,790,109
Plan asset	0	0	0	0	0
Surplus / (Deficit)	(46,222,438)	(50,676,361)	(52,050,287)	(54,680,233)	(60,790,109)

	Year ending 30/06/2015	Year ending 30/06/2016	Year ending 30/06/2017	Year ending 30/06/2018
Liabilities: (Gain) / Loss	1,926,986	(1,279,435)	1,255,495	2,467,601
Assets: Gain / (Loss)	0	0	0	0

17. Payables from exchange transactions

Trade payables	725,774,642	558,625,656
Payments received in advance	50,203,353	42,863,475
Accrued leave pay	83,361,810	74,381,920
Long Service Leave	4,276,338	4,827,190
Sundry creditors	41,084,403	25,967,688
Housing : Absa bank account	148,317	148,317
Other Creditors	2,070	2,070
	904,850,933	706,816,316

18. Consumer deposits

Electricity and water	29,941,387	24,124,748
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City of Matlosana

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Figures in Rand	2018	2017
19. Revenue		
Sale of goods	17,749,965	16,616,277
Rendering of services	3,169	13,541
Service charges	1,430,644,777	1,389,127,035
Rental of facilities and equipment	5,096,871	5,137,430
Licences and permits	12,653,595	7,107,165
Miscellaneous other revenue	246,300	8,339
Property rates	294,054,715	265,941,408
Government grants & subsidies	537,839,816	477,693,095
Levies	1,207,710	1,490,257
Fines, Penalties and Forfeits	11,246,582	10,505,354
	2,310,743,500	2,173,639,901

The amount included in revenue arising from exchanges of goods or services are as follows:

Sale of goods	17,749,965	16,616,277
Service charges	1,430,644,777	1,389,127,035
Rendering of services	3,169	13,541
Rental of facilities and equipment	5,096,871	5,137,430
Licences and permits	12,653,595	7,107,165
Miscellaneous other revenue	246,300	8,339
Commissions received	10,743,585	10,717,594
Recoveries	261,127	20,220,782
	1,477,399,389	1,448,948,163

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	294,054,715	265,941,408
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Transfer revenue

Government grants & subsidies	537,839,816	477,693,095
Levies	1,207,710	1,490,257
Fines, Penalties and Forfeits	11,246,582	10,505,354
	844,348,823	755,630,114

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

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Figures in Rand	2018	2017
20. Property rates		
Rates received		
Residential	285,066,730	262,640,107
State	19,205,915	9,679,352
Indigent	(10,255,985)	(6,416,106)
Sundry debtors	38,055	38,055
	294,054,715	265,941,408

Valuations

Residential	16,405,784,527	15,535,909,231
State	755,388,200	934,669,050
Municipal	878,951,293	625,832,325
Agricultural	1,489,815,300	2,057,631,936
Business	4,911,868,544	4,701,022,117
	24,441,807,864	23,855,064,659

Valuations on land and buildings are performed every 4 years however council sought an extension to 7 years. The last general valuation came into effect on 1 July 2014. The valuations were done by DDP Valuers on behalf of the Municipality.

The new general valuation will be implemented on 01 July 2021.

21. Service charges

Sale of electricity	701,219,439	699,088,395
Sale of water	510,685,223	465,049,360
Sewerage and sanitation charges	98,497,156	98,707,056
Refuse removal	120,242,960	126,282,224
	1,430,644,778	1,389,127,035

22. Government grants and subsidies

Operating grants

Equitable share	354,377,071	342,855,000
National: Expanded Public Works Program Grant (EPWP)	2,107,899	1,653,277
Financial Management Grant (FMG)	2,145,000	1,805,060
Library Grant	1,186,658	950,945
MSIG	-	16,596
Museum Grant	-	250,000
	359,816,628	347,530,878

Capital grants

Municipal Infrastructure Grant (MIG)	108,795,860	83,195,916
Integrated National Electrification Programme Grant (INEP)	20,363,974	11,669,452
Neighbourhood Development Partnership Grant (NDPG)	48,740,134	35,296,850
Fire Grant	123,220	-
	178,023,188	130,162,218
	537,839,816	477,693,096

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy of R454 (2017: R390), which is funded from the grant.

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22. Employee related costs (continued)

MIG

Balance unspent at beginning of year	166,085	-
Current-year receipts	130,041,000	83,362,000
Conditions met - transferred to revenue	(109,843,782)	(83,195,915)
Roll over denied	(166,085)	-
	20,197,218	166,085

Conditions still to be met - remain liabilities (see note 15)

The purpose of this grant is to provide specific capital finance for eradicating basic municipal infrastructure backlogs for poor house holds, micro enterprise and social institutions servicing poor communities.

NERSA

Balance unspent at beginning of year	1,068,976	1,938,428
Current-year receipts	19,500,000	10,800,000
Conditions met - transferred to revenue	(19,316,052)	(11,669,452)
Roll over denied	(1,068,976)	-
	183,948	1,068,976

Conditions still to be met - remain liabilities (see note 15)

The purpose of the grant it to implement the Integrated National Electrification Programme by providing capital subsidies to municipalities to address the electrification backlog of all existing and planned residential dwellings and the installation of relevant bulk infrastructure.

FMG

Balance unspent at beginning of year	6,010	1,070
Current-year receipts	2,145,000	1,810,000
Conditions met - transferred to revenue	(2,145,000)	(1,805,060)
Roll over denied	(6,010)	-
	-	6,010

Conditions still to be met - remain liabilities (see note 15)

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the municipal finance management act.

DWAF

Balance unspent at beginning of year	276,464	276,464
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Conditions still to be met - remain liabilities (see note 15)

The purpose of the grant is to provide water to support economical, social and environmental sectors

MSIG

Balance unspent at beginning of year	-	130,526
Roll over denied	-	(130,526)
	-	-

Conditions still to be met - remain liabilities (see note 15)

City of Matlosana

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22. Employee related costs (continued)

The purpose of this grant is to assist municipalities to perform their functions and stabilize institutional and governance systems as required in the municipal systems Act and related local government legislation.

EPWP

Balance unspent at beginning of year	2,466	1,512,217
Current-year receipts	2,246,000	1,656,000
Conditions met - transferred to revenue	(2,107,899)	(1,653,277)
Roll over denied	-	(1,512,474)
	140,567	2,466

Conditions still to be met - remain liabilities (see note 15)

The purpose of the grant is to incentivize municipalities to expand work creation efforts through the use of labour intensive delivery methods in the certain identified focus areas in compliance with the EPWP guidelines.

Fire

Balance unspent at beginning of year	255,183	255,183
Conditions met - transferred to revenue	(123,220)	-
	131,963	255,183

Conditions still to be met - remain liabilities (see note 15).

The purpose of the grant is to support projects that enhance the safety of the public and firefighters from fire and related hazards.

Library

Balance unspent at beginning of year	1,781,810	1,632,754
Current-year receipts	1,200,000	1,100,000
Conditions met - transferred to revenue	(1,186,659)	(950,944)
	1,795,151	1,781,810

Conditions still to be met - remain liabilities (see note 15).

The purpose to transform urban and rural community library infrastructure, facilities and services through a recapitalized programme at the provincial level in support of local government and national initiatives.

NDPG Grant

Balance unspent at beginning of year	28,150	-
Current-year receipts	48,755,000	35,325,000
Conditions met - transferred to revenue	(48,740,134)	(35,296,850)
	43,016	28,150

Conditions still to be met - remain liabilities (see note 15).

The purpose of the grant is to plan, catalyze and invest in targeted locations in order to attract and sustain third party capital investments aimed at spatial transformation , that will improve the quality of lie , and access to opportunities for residents in South Africa under served neighbourhoods, generally townships.

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22. Employee related costs (continued)

District MEYMP

Balance unspent at beginning of year	213,176	213,176
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Conditions still to be met - remain liabilities (see note 15).

The purpose of the grant is to fund small-scale, short-term activities that address needs in your community and communities abroad. Each district chooses which activities it will fund with these grants.

Disaster Assessment Management Grant

Balance unspent at beginning of year	200,000	200,000
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Conditions still to be met - remain liabilities (see note 15).

The purpose the grant is to ensure that sufficient funds are available in the event of disasters.

District Grant

Balance unspent at beginning of year	4,581,284	4,581,284
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Conditions still to be met - remain liabilities (see note 15).

The purpose of the grant is to fund small-scale, short-term activities that address needs in your community and communities abroad. Each district chooses which activities it will fund with these grants.

Museum Grant

Balance unspent at beginning of year	7,352	7,352
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Conditions still to be met - remain liabilities (see note 15).

The purpose of the grant is to enable museums to focus on excellence in their programs and operations and to contribute to the understanding of the world and our place in it - our past, our present, and our future

23. Other income

Commissions received	10,743,585	10,717,594
Royalties received	2,235,249	1,753,619
Rental income - third party	387,906	273,955
Discount received	297,101	627,965
Recoveries	261,127	698,348
Gain on movement of provisions	-	19,522,434
Other miscellaneous income	17,004,486	14,321,867
Donation of community hall	14,932,787	20,836,637
	45,862,241	68,752,419

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24. General expenses		
Advertising	810,351	1,309,196
Alternative energy	13,225,645	6,639,731
Auditors remuneration	3,537,187	4,057,121
Bank charges	8,342,082	5,608,938
Chemicals	485,362	1,109,021
Cleaning	217,182	-
Commission paid	15,905,992	15,331,710
Community development and training	281,034	395,825
Conferences and seminars	1,102,146	1,130,812
Consumables	1,748,890	1,355,864
Discount allowed	751,772	1,103,318
Entertainment	316,760	180,497
Fines and penalties	-	803,500
Gifts	53,126	-
Hire	9,151,751	4,652,798
Indigent costs	2,036,642	1,430,903
Installation cost	22,829,668	13,102,319
Insurance	8,381,878	4,503,730
Landfill site provision	5,781,679	9,401,666
Legal fees	17,984,010	14,105,403
Loss on disposal of assets	21,604,918	32,651,279
Magazines, books and periodicals	100,926	78,702
Marketing	268,116	215,235
Medical expenses	1,181	133,148
Meter readings	8,344,793	7,816,895
Motor vehicle expenses	41,202,715	46,653,180
Other miscellaneous	28,208,720	36,450,638
Pest control	828,000	70,000
Postage and courier	4,496,761	3,831,047
Printing and stationery	2,382,571	3,161,453
Professional Fees	11,032,727	12,492,667
Promotions	122,547	-
Promotions and sponsorships	78,700	134,124
Protective clothing	2,659,872	4,872,144
Refuse	6,667,061	6,411,245
Revenue enhancement	99,482	236,669
Royalties and license fees	3,815	5,375
Stock write- offs	1,574,739	591,767
Subscriptions and membership fees	2,449,547	2,971,381
Telephone and fax	6,251,237	5,707,910
Title deed search fees	377,678	375,759
Tracing fees	-	1,053
Training	2,895,889	2,735,404
Transport and freight	-	12,221
Travel - local	335,245	376,070
Valuation fees	-	45,150
	254,930,397	254,252,868

City of Matlosana

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Figures in Rand	2018	2017
25. Employee related costs		
Basic	352,403,141	332,623,196
Medical aid - company contributions	44,750,181	42,198,994
UIF	3,425,013	3,241,851
WCA	2,572,648	2,786,575
SDL	4,764,013	4,349,515
Leave pay provision charge	8,429,038	4,213,397
Defined contribution plans	2,587,992	-
Travel, motor car, accommodation, subsistence and other allowances	10,033,658	8,692,636
Overtime payments	39,481,305	31,423,203
Long-service awards	6,109,876	2,629,937
13th Cheques	27,284,169	25,542,139
Housing benefits and allowances	2,254,026	2,162,573
Group insurance	1,498,357	1,270,586
Pension fund	69,124,734	65,177,038
Redemption of leave	4,080,353	3,014,501
Phone allowance	638,869	601,330
Other payments	-	504,694
Share-based payment	24,747	19,549
	579,462,120	530,451,714

Remuneration of Municipal Manager

Annual Remuneration	1,017,666	394,936
Car and other allowances	272,160	45,360
Contributions to UIF, Medical and Pension Funds	61,650	4,000
	1,351,476	444,296

TSR Nkhumise acted as a Municipal Manager from October 2016 to April 2017, was then appointed as a Municipal Manager from May 2017 to date.

Remuneration of Acting Municipal Manager

Annual Remuneration	-	778,730
Car and other allowance	-	88,776
Contributions to UIF, Medical and Pension Funds	-	157,092
	-	1,024,598

SG Mabuda was the acting Municipal Manager until September 2016

Remuneration of chief finance officer

Annual Remuneration	922,467	297,302
Car and other allowance	144,000	48,000
Contributions to UIF, Medical and Pension Funds	30,561	-
	1,097,028	345,302

The Chief Finance Officer MKG Ramorwesi was appointed in March 2017 to date.

Remuneration of acting chief finance officer

Annual Remuneration	-	944,580
Car and other allowance	-	150,000
	-	1,094,580

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25. Employee related costs (continued)

CHR Boshoff was the acting chief financial officer until March 2017.

Remuneration of director public safety

Annual Remuneration/Annual equivalent remuneration	445,987	1,094,580
Contributions to UIF, Medical and Pension Funds	11,106	-
	457,093	1,094,580

LJ Nkumane was appointed as Director Public Safety from February 2018 to date.

The position for Director Public Safety was vacant for the financial year 2016/2017 hence an annual equivalent remuneration of R1 094 580 was used.

Remuneration of director of local economic development

Annual Remuneration/ Annual equivalent remuneration	495,732	1,190,868
Bonus	41,311	-
Car and other allowance	76,239	-
Acting allowance	162,552	-
Contributions to UIF, Medical and Pension Funds	168,166	-
	944,000	1,190,868

AK Khuzwayo have been acting as the director of local economic development.

The post for director macro-city planning and development which is now called director of local economic development was vacant in 2016/2017 financial year as the official who was appointed for this position(SG Mabuda) was acting as the municipal manager until September 2016 hence the annual equivalent was used.

Remuneration of Director Corporate Services

Annual Remuneration	457,093	-
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L Seametso was appointed as director corporate services from February 2018 to date.

Remuneration of Acting Director Corporate Services

Annual Remuneration	-	792,126
Car and other allowance	-	82,058
Contributions to UIF, Medical and Pension Funds	-	61,838
	-	936,022

The Acting Director Corporate Services LM Ramorola has been acting on this position until January 2018.

Remuneration of acting director strategic planning and human settlement

Annual Remuneration	498,180	1,190,868
Acting allowance	114,841	-
Bonus	44,361	-
Car and other allowances	191,942	-
Contributions to UIF, Medical and Pension Funds	154,101	-
Other	19,927	-
	1,023,352	1,190,868

P Phala has been acting as the director of strategic planning and human settlement.

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

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Figures in Rand	2018	2017
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25. Employee related costs (continued)

An annual equivalent remuneration for the post of director strategic planning, monitoring and control which has been changed to director strategic planning and human settlement has been used for 2016/2017 financial year as the post was vacant

Remuneration of director infrastructure

Annual Remuneration	397,093	-
Car and other allowance	60,000	-
	457,093	-

R Madimutsa has been appointed as director infrastructure from February 2018 to date.

Remuneration of acting director infrastructure

Remuneration of acting director infrastructure

Annual Remuneration	-	893,629
Car and other allowances	-	165,000
Contributions to UIF, Medical and Pension Funds	-	33,000
	-	1,091,629

LM More acted as director infrastructure until May 2017.

Remuneration of director community services

Annual Remuneration/ Annual equivalent remuneration	370,926	1,190,868
Car and other allowance	60,000	-
Contributions to UIF, Medical and Pension Funds	26,168	-
	457,094	1,190,868

MM Molawa was appointed as director community development from February 2018 to date.

The position of director municipal and environmental services which is now called director community development was vacant for the financial year 2016/2017 hence annual equivalent remuneration was used.

Remuneration of director: sports, arts and culture

26. Remuneration of councillors

Executive Mayor	1,012,408	859,856
Mayoral Committee Members	9,190,862	6,450,621
Speaker	828,643	733,770
Councillors	22,149,927	20,353,829
	33,181,840	28,398,076

In-kind benefits

The Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has the use of a Council owned vehicle for official duties.

The Executive Mayor has one full-time bodyguard\driver.

Remuneration of Executive Mayor - ME Kgaile

City of Matlosana

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26. Remuneration of councillors (continued)

Councillors allowance	638,825	532,381
Councillors pension contributions	69,895	-
Cellphone Allowance	38,400	23,939
Other allowances	29,048	44,333
Travel Allowance	236,240	172,399
	1,012,408	773,052

ME Kgaile became a mayor from August 2016 to date.

Remuneration of Executive Mayor - MK Khauoe

Councillors allowance	-	61,665
Councillors pension contributions	-	6,416
Cellphone Allowance	-	2,326
Travel allowance	-	16,397
	-	86,804

MK Khauoe was a mayor till July 2016

Remuneration of Speaker - RW Ntozini

Annual Remuneration	477,387	375,981
Car Allowance	71,308	37,059
Cellphone Allowance	38,400	23,939
Medical aid contributions	17,280	14,400
Travel allowance	188,992	137,919
Other allowances	35,276	70,453
	828,643	659,751

RW Ntozini became a speaker from August 2016 to date

Remuneration of Speaker - LM Kortjas

Councillors allowance	-	48,079
Councillors pension contributions	-	4,945
Cellphone Allowance	-	6,437
Medical aid contributions	-	1,440
Travel Allowance	-	13,118
	-	74,019

LM Kortjas was a speaker until July 2016

Remuneration of Councillors and Mayoral Committee Members

Councillors allowance	18,752,329	16,283,170
Councillors pension contributions	1,373,362	822,486
Cellphone allowance	2,655,000	1,988,071
Medical aid contributions	302,005	184,739
Travel allowance	6,809,231	5,412,970
Other allowances	1,448,862	2,113,014
	31,340,789	26,804,450

City of Matlosana

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Figures in Rand	2018	2017
27. Debt impairment		
Debt impairment	260,335	16,244,975
Contributions to debt impairment provision	616,751,192	527,213,577
	617,011,527	543,458,552
28. Investment revenue		
Interest revenue		
Bank	1,070,335	807,816
Interest charged on trade and other receivables	220,169,996	161,301,557
Interest on investments	10,588,115	8,357,872
	231,828,446	170,467,245
29. Depreciation and amortisation		
Property, plant and equipment	434,791,075	411,711,664
30. Finance costs		
Non-current borrowings	7,064,268	8,997,234
Other interest paid	38,762,014	34,957,730
	45,826,282	43,954,964
31. Auditors' remuneration		
Fees	3,537,187	4,057,121
32. Contracted services		
Security Services	25,433,793	22,705,734
Disconnecting/ Connecting Services	3,029,480	693,011
Debt Collection	10,711,743	12,403,036
Garden Services Paypoints	-	-
	39,175,016	35,801,781
33. Bulk purchases		
Electricity	467,670,362	529,967,390
Water	286,592,258	245,252,037
	754,262,620	775,219,427
Electricity (losses in units)	79,382,975	136,612,158
Electricity (losses as %)	16%	24%
Water (losses in units)	12,560,100	10,407,632
Water (losses) in %)	39%	35%

Electricity and water are supplied by Eskom and Midvaal Water Company.

The municipality is in the process of installing meters at all its premises to enable us to accurately measure and manage own use. A strategy has been developed to minimise distribution losses and it will be implemented over time due to budget constraints.

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
34. Cash generated from operations		
Deficit	(298,024,134)	(307,519,359)
Adjustments for:		
Depreciation and amortisation	434,791,075	411,711,664
Profit on Disposal of Assets	(1,314,526)	-
Debt impairment	617,011,527	462,331,490
Loss on disposal	21,604,918	32,631,093
Movements in provisions	14,479,547	(8,477,438)
Non-cash donation received	(14,932,787)	(20,836,637)
Leave provision	8,429,038	-
Stock Adjustment	1,574,739	591,767
Wild stock adjustment	(275,653)	955,169
Changes in working capital:		
Inventories	(8,974,619)	(3,373,393)
Receivables from exchange transactions	(22,379,538)	15,551,203
Consumer debtors	(690,280,511)	(498,263,156)
Other receivables	26,062	35,163
Payables from exchange transactions	189,605,582	178,110,130
VAT	(54,530,823)	(28,141,205)
Unspent conditional grants and receipts	19,183,183	(2,161,499)
	215,993,080	233,144,992

35. Commitments

Authorised capital expenditure

• Infrastructure	292,835,001	165,956,160
This expenditure will be financed from :		
• Government grants	292,835,001	165,956,160

This committed expenditure relates to property, plant and equipment and will be financed by grants from National Treasury.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	8,780,498	26,844,680
- in second to fifth year inclusive	-	7,808,227
	8,780,498	34,652,907

Operating lease payments represent rentals payable by the municipality for photocopiers and refuse trucks. Leases are negotiated for an average term of three years. No contingent rent is payable.

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

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Figures in Rand	2018	2017
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36. Related parties

Relationships

Councillor PN Moeng
Councillor SOC Barends
Councillor MI Groenewald

Titanic Funeral Services
Neo Ya Rona Trading Enterprise
Midvaal Water Company

Councillor Groenewald is a member of the board of directors of the Midvaal Water Company (a section 21 company) who supply bulk water to the City of Matlosana. Water purchased from Midvaal Water Company amounted to R286 592 258 (2017:R245 252 037), amount paid amounted to R176 122 137 (2017: 206 750 407) and the balance due as at year ended amounted to R309 545 991 (2017:162 428 824). Midvaal Water Company is a supplier and the transactions are at arm's length.

Councillors Moeng is a member of Titanic Funeral Services and the amount contracted for the year amounted to R13 250.

Councillor Barends is a related party of Ya Rona Karona Trading Enterprise and the amount contracted for the year amounted to R24 200

Mr Seth Ramagaga was appointed as Administrator of The City of Matlosana under section 139 (1)(b) of the Constitution of South Africa for the period between 3 December 2015 and 15 September 2016. The cost for the administration was borne by the Office of the MEC for Local government of the North West and not by the municipality.

37. Prior period errors

1. In the prior year the opening balance for the following assets was discovered to have been misstated due to omissions made on the fixed asset register: Infrastructure was overstated by R4 277 723, Land was understated R4 289 402, Land and Building was understated by R15 901 769, Community Assets were over understated by R21 801 141, Other assets (Movables) were understated by R281 300, Heritage Assets were understated by R1 236 314, Investment property was understated by R61 951 942 and Depreciation was understated by R1 155 725.

2. In 2017 the retentions were overstated by R7 710 543 as a result of incorrect accounting in the prior periods, consequently payables from exchange transactions were overstated by the same amount.

3. In 2017 the creditors were overstated by R3 229 030 due to certain amounts being misallocated on the accrual listing, consequently the payables from exchange transactions were overstated by the same amount.

4. During the the 2017 financial period, debtors relating to sale of stands were overstated by R12 588 277 as the properties relating to these debtors had already been either transferred or the sale agreement had been cancelled by the end of 2017, the related impairment was also overstated by and amount of R10 485 541 and VAT receivable was overstated by R9 239.

5. The landfill classification system changed in 2013 from the Minimum Requirements for Waste Disposal by Landfill to the National Environmental Management: Waste Act (59/2008): Waste Classification and Management Regulations (Gazette No. 36784 issued in 2013). The change effectively puts stricter conditions on landfill closure and rehabilitation, with a concomitant increase in costs, especially for sites previously classified as Communal and Small. The mining rehabilitation methodology used previously understated the future costs and late application of the new methodology resulted in the provision for landfill site rehabilitation to be understated. The most practical adjustment that could be made was the opening balance of the 2016 period by R93 900 365, consequently this late application also led to the understatement of general expenses for the prior period (representing the movement of the provision) by R9 401 666.

City of Matlosana

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Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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37. Prior period errors (continued)

6. The provision for Post-Employment Medical Aid for the period ending 2016 was amended by R64 979 767 due to an error in assumptions the actuary uses in determining the liability and consequently provisions were understated by the same amount. The movement in the provision for the 2017 financial period was understated R10 318 751 and hence other income (recoveries) was understated by the same amount.

7. In 2017 there was a disposal of investment property that was not accounted for and consequently the general expenses were understated by R20 186 and Investment property was overstated by the same amount.

8. In the prior year the capital commitments were understated with an amount of R46 152 173 which resulted from certain contractors and consultants approved project amounts not being included in the final project (committed) amount.

9. There were prescribed amounts that were not written off in the correct period as there was no review done of such accounts in the prior period and this led to the overstatement of receivables from exchange transactions by R3 394 893 and understatement of payables from exchange transaction R4 816 670.

10. In 2017 there was an error in the calculation for the debtor relating to fines and this led to an overstatement of the receivables from non-exchange transaction by R997 886.

11. In 2016 the irregular expenditure register was overstated by R2 391 641 due to duplications and in 2017 the register was understated by R38 703 743 due to the composition of the bid adjudication committee not being constituted in accordance with SCM regulation 29(2).

12. In 2017 Fruitless and Wasteful expenditure was understated by R906 308 due to compensation for the former municipal manager not being included in the register.

13. In 2016, the disclosure of the grants and subsidies was incorrect as capital grants (namely, MIG, INEP, NDPG and the Fire grant) were incorrectly classified as operational grants. Also the EPWP operational grant was incorrectly classified as a capital grant.

14. There were two legal cases erroneously omitted under contingent liabilities in the 2017 annual financial statements. The cases in question are as follows:

- Munmap (Pty) Maxim Profit Recovery (Pty) Ltd vs City of Matlosana, the plaintiff is claiming R7 822 100
- Helgard Petrus De Clerq vs City of Matlosana, the plaintiff is claiming an amount of R6 000 000.

Effect of errors on the Accumulated Surplus

Increase in Accumulated Surplus due to error 1	- 102,339,869
Increase in Accumulated Surplus due to error 2	- 7,710,544
Increase in Accumulated Surplus due to error 3	- 3,229,030
Decrease in Accumulated Surplus due to error 4	- (2,102,737)
Decrease in Accumulated Surplus due to error 5	- (93,900,365)
Decrease in Accumulated Surplus due to error 6	- (75,298,518)
Increase Accumulated Surplus due to error 9	- 1,421,777
Decrease in Accumulated Surplus due to error 10	- (997,886)
Increase / (Decrease) in Unappropriated Surplus Account	- (57,598,286)

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
37. Prior period errors (continued)		
Effect of errors on Statement of financial position		
Increase in Property, plant and equipment due to error 1	-	37,995,888
Increase in Investment property due to error 1	-	61,951,942
Increase in Heritage assets due to error 1	-	1,236,314
Decrease in Payables from exchange transactions due to error 2	-	7,710,544
Decrease in Payables from exchange transactions due to error 3	-	3,229,030
Decrease in Receivables from Exchange transactions due to error 4	-	(2,093,497)
Increase in VAT receivable due to error 4	-	(9,239)
Increase in Provisions due to error 5	-	(103,302,031)
Increase in Provisions for to error 6	-	(64,979,767)
Decrease in investment property due to error 7	-	(20,186)
Decrease in receivables from exchange transactions due to error 9	-	(3,394,893)
Decrease in payables from exchange transactions 9	-	4,816,670
Decrease in receivables from non-exchange transactions due to error 10	-	(997,886)
	-	(57,857,111)
Effect of errors on Statement of Financial Performance		
Deficit as previously reported	-	(307,260,510)
Increase in General Expenses due to error 5	-	(9,401,666)
Increase in other income due to error 6	-	10,318,751
Increase in Depreciation due to error 1	-	(1,155,725)
Increase in General Expenses due to error 7	-	(20,186)
Restated deficit as per Statement of changes in Net Assets	-	(307,519,336)

38. Change in Accounting estimates

The estimated remaining useful life of the assets was reviewed and amended to ensure an accurate systematic allocation of the depreciable amount over the remaining useful life.

The effects of the change in estimate are as follows:

Statement of financial performance

Decrease in depreciation	26,862,275	-
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39. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide services for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings disclosed in notes 14, cash and cash equivalents disclosed in note 13, and equity as disclosed in the statement of financial position.

Consistent with others in the industry, the municipality monitors capital on the basis of the gearing ratio.

This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

The municipality's strategy is to maintain a gearing ratio of between 10% to 35%.

City of Matlosana

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Notes to the Annual Financial Statements

Figures in Rand		2018	2017
39. Risk management (continued)			
There are no externally imposed capital requirements.			
There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.			
The gearing ratio at 2018 and 2017 respectively were as follows:			
Total borrowings			
Current Liabilities		996,348,334	771,061,064
Non-current liabilities		494,048,723	497,626,909
		1,490,397,057	1,268,687,973
Less: Cash and cash equivalents	13	136,154,314	90,532,317
Net debt		1,354,242,743	1,178,155,656
Total equity		4,553,307,043	4,909,188,311
Total capital		5,907,549,786	6,087,343,967

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk management is carried out by a central treasury department under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2018 and 2017, the municipality's borrowings at variable rate were denominated in Rand.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

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Figures in Rand	2018	2017
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39. Risk management (continued)

Financial instrument	2018	2017
Long term receivables	23,099,799	30,059,029
Consumer debtors	358,590,205	285,321,220
Other receivables	111,402	137,464
Cash and cash equivalents	136,154,315	90,532,317

The municipality is exposed by a guarantee for a loan at DBSA and is secured by the Nedbank investment as disclosed in note 12.

40. Going concern

We draw attention to the fact that although the municipality reported a deficit of R298 024 136 at June 30, 2018, the municipality had accumulated surplus of 4,553,307,043 and that the municipality's total assets exceed its liabilities by 4,553,307,043. However current liabilities exceeds current assets by R316 630 080.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

We are experiencing cash flow challenges as a result of low debtors collection rate which has an impact on our ability to pay our creditors timeously. Our ability to continue as a going concern is highly dependant on improvement of collections and management of costs. As a result of the above financial indicators, some uncertainty exists regarding the Municipality to continue as a going concern.

41. Events after the reporting date

There were no material events that required an adjustment to the annual financial statements after the reporting date.

42. Unauthorised expenditure

Reconciliation of unauthorised expenditure

Opening balance	1,682,312,273	1,498,231,982
Unauthorised expenditure current year	140,879,370	184,080,291

Unauthorised expenditure awaiting authorisation

1,823,191,643 1,682,312,273

The over expenditure for the 2018 financial year is primarily due the impairment on the consumer debtors and other debtors. The total balance including the opening balance will be dealt with in accordance with the MFMA requirements.

43. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	152,812,922	114,486,490
Fruitless and wasteful expenditure current year	51,252,909	37,420,124
Prior period error	-	906,308

Fruitless and wasteful expenditure awaiting condonement

204,065,831 152,812,922

The Municipality incurred interest as a result of late payment of the Eskom, SARS, Midvaal and Auditor General accounts. Fines and penalties were also incurred for non payment of the amounts due to the Department of Labour for workman's compensation contributions.

City of Matlosana

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Notes to the Annual Financial Statements

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44. Irregular expenditure		
Reconciliation of irregular expenditure		
Opening balance	2,428,632,146	2,114,676,517
Add: Irregular Expenditure - current year	297,924,650	254,293,906
Deviations	21,548,571	20,957,980
Prior period errors	-	38,703,743
Irregular expenditure awaiting condonement	2,748,105,367	2,428,632,146

All possible Irregular expenditure is being investigated. Once we finalise all the technical processes and we are satisfied that its irregular it will be included on our Irregular expenditure register.

Details of irregular expenditure

Bid composition not constituted	160,065,025	30,298,957
Order splitting	12,349,940	14,878,829
Three quotes not attached	906,038	232,237
Non disclosure of interest	11,414,298	6,169,272
No seven days advertisement	2,360,375	779,402
No tax compliance	-	310,439
Regulation 32 appointment	54,878,106	77,869,861
Competitive bidding processes not followed	16,811,625	61,230,823
SCM processes were not followed	39,139,243	100,718,667
Deviations not reported to Council	21,548,571	21,467,143
	319,473,221	313,955,630

45. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government : SALGA

Opening balance	23,754	23,754
Current year subscription / fee	2,260,000	2,788,000
Amount paid - current year	(1,760,000)	(2,788,000)
	523,754	23,754

Audit fees

Opening balance	1,342,243	1,866,567
Current year subscription / fee	4,821,180	3,420,849
Amount paid - current year	(3,738,486)	(3,945,173)
	2,424,937	1,342,243

PAYE, UIF and SDL

Opening balance	5,190,280	4,671,183
Current year subscription / fee	73,459,921	53,594,461
Amount paid - current year	(72,529,359)	(53,075,364)
	6,120,842	5,190,280

Pension and Medical Aid Deductions

City of Matlosana

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Figures in Rand	2018	2017
45. Additional disclosure in terms of Municipal Finance Management Act (continued)		
Opening balance	10,487,037	10,339,820
Current year subscription / fee	207,463,942	160,343,334
Amount paid - current year	(206,834,080)	(160,196,117)
	11,116,899	10,487,037

City of Matlosana

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45. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	97,668,650	43,137,827
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Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2018:

(Currently arrangements with the Councillors to deduct the outstanding balances from their monthly salaries in line with the council's credit policy)

June 30, 2018	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor M Coetzee	6,857	47,616	54,473
Councillor MF Nthaba	10,691	14,130	24,821
Councillor M DUMZELA	1,910	1,262	3,172
Councillor MI MANGESI	3,129	702	3,831
Councillor JS Tsabedze	601	13,814	14,415
Councillor R Thejane	994	83,527	84,521
Councillor HL Methi	2,585	18,950	21,535
Councillor SH Nani	1,737	68,423	70,160
Councillor DM MAKINANI	624	11,114	11,738
Councillor RK Ponisi	912	43,979	44,891
Councillor TG Khoza	1,840	8,114	9,954
Councillor SPJ MM BOGATSU	5,863	9,098	14,961
Councillor M Ntaopane	1,751	4,232	5,983
Councillor B MVELASE	1,161	14,887	16,048
Councillor GL Moeng	7,679	3,897	11,576
Councillor SD Mongale	1,839	4,628	6,467
Councillor MJ Moloko	3,190	48,649	51,839
Councillor G Mqikela	1,084	44,871	45,955
Councillor LE/MV MOPHETHE	5,535	23,720	29,255
Councillor N NDELA	3,393	83,523	86,916
Councillor ME KGAILE	2,788	2,000	4,788
	66,163	551,136	617,299

City of Matlosana

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Notes to the Annual Financial Statements

Figures in Rand 2018 2017

45. Additional disclosure in terms of Municipal Finance Management Act (continued)

30 June 2017	Outstanding less than 90 days	Outstanding more than 90 days	Total
Councillor M Coetzee	2,924	40,951	43,875
Councillor MF Nthaba	9,894	17,531	27,425
Councillor NA Ludidi	968	9,864	10,832
Councillor VS Qankase	845	2,437	3,282
Councillor JS Tsabedze	1,103	19,001	20,104
Councillor R Thejane	1,064	89,486	90,550
Councillor HL Methi	2,204	56,414	58,618
Councillor SH NANI	1,563	62,891	64,454
Councillor MC MAHLANGU	270	14,020	14,290
Councillor TM MABULELA	1,061	3,528	4,589
Councillor RK PONISI	1,798	54,479	56,277
Councillor TG KHOZA	2,237	22,090	24,327
Councillor NI MATETOANE	6,935	18,984	25,919
Councillor M NTAOPANE	1,857	16,037	17,894
Councillor GS NKEBE	1,519	4,602	6,121
Councillor GL MOENG	719	9,397	10,116
Councillor SD MONGALE	1,087	10,628	11,715
Councillor NS MENDELA	3,536	3,835	7,371
Councillor MJ MOLOKO	4,831	41,551	46,382
Councillor G MQIKELA	1,035	40,682	41,717
Councillor LD MOLEFI	1,064	5,277	6,341
Councillor ME MOSWEU	2,323	809	3,132
Councillor DF ROODT	13,108	65,660	78,768
	63,945	610,154	674,099

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
45. Additional disclosure in terms of Municipal Finance Management Act (continued)		
June 30, 2018		
	Highest outstanding amount 2018	Highest outstanding amount 2017
Councillor R Thejane	84,522	90,549
Councillor DF Roodt	-	78,768
Councillor SH Nani	70,160	64,454
Councillor HL Methi	21,534	58,618
Councillor RK Ponisi	44,891	56,277
Councillor MJ Moloko	51,839	46,381
Councillor M Coetzee	54,472	43,875
Councillor G Mqikela	45,955	41,717
Councillor MF Nthaba	24,821	27,425
Councillor NI Matetoane	-	25,920
Councillor TG Khoza	9,954	24,327
Councillor JS Tsabedze	14,415	20,104
Councillor M Ntaopane	5,983	17,894
Councillor MC Mahlangu	-	14,290
Councillor SD Mongale	6,468	11,716
Councillor NA Ludidi	-	10,832
Councillor GL Moeng	11,576	10,117
Councillor NS Mandela	-	7,371
Councillor NS Mandela	-	6,341
Councillor GS Nkebe	-	6,121
Councillor TM Mabulela	-	4,589
Councillor VS Qankase	-	3,282
Councillor ME Mosweu	-	3,132
Councillor ME Kgaile	4,788	-
Councillor M DUMZELA	3,172	-
Councillor MI MANGESI	3,831	-
Councillor DM MAKINANI	11,738	-
Councillor MM BOGATSU	14,960	-
Councillor B MVELASE	16,047	-
Councillor LE/MV MOPHETE	29,255	-
Councillor N NDELA	86,916	-
	617,297	674,100

Supply chain management regulations

Deviations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the City Manager and noted by Council. The expenses incurred as listed hereunder have been approved by the municipal manager.

Incidents

Appointment of Consultants	90,198	2,187,863
Information technology upgrade	1,856,306	5,841,645
Security services	5,277,980	20,000,000
Extension of contract period/sum	7,445,358	1,136,764
Upgrade of infrastructure (sewer)	1,870,729	6,637,579
Supply and delivery of plant and equipment	1,586,539	288,522
Other	4,735,695	1,899,541
Deviations less than R200 000	1,472,550	1,646,344
	24,335,355	39,638,258

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
46. Contingent assets		
Contingent assets		
ERF 1124, Orkney (Springbok Furniture)/ City of Matlosana		
Council instituted claims against the defendant for contravention of a servitude registered in the favour of the City of Matlosana.	150,000	-
City of Matlosana / Munmap (Pty) Ltd Maximum Profit Recovery (Pty) Ltd		
Council obtained judgement against respondent.	650,000	650,000
Isago at N12 Development / City of Matlosana, Abacus Asset Management And Sanral		
Isago owes the Municipality 3,6million for the value to street lights that should have been installed.	3,600,000	3,600,000
City of Matlosana / Great Champs Trading		
GCT have an outstanding debt arising from occupancy of rental space from by the municipality,	76,693	76,693
City of Matlosana / Badiboa		
Tender paving of taxi routes and storm water drainage contract cancelled by Matlosana due to Badiboa failing to progress with the contract	1,500,000	1,500,000
City of Matlosana / Mr Masisi		
City of Matlosana sued Mr Masisi for fruitless and wasteful expenditure	2,657,462	2,657,462
City of Matlosana / Isago at N12 Development		
Failure to repay security fee to the City of Matlosana which was paid to Eskom on the start up of the Gumtress electrical substation.	10,000,000	10,000,000

47. Contingent liabilities

The certainty and timing of the of the outflow of economic resources related the contingent liabilities listed below is uncertain. The amounts listed below have been provided by the legal experts handling the respective cases and it was deemed impracticable to include the legal costs to be incurred due to the complicated nature of the cases they are handling and uncertainty of the time frames required to conclude these cases.

There is no possibility of any reimbursement for the cases listed below.

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
47. Contingent liabilities (continued)		
City of Matlosana / Balemi		
Service provider did not deliver on services as awarded by the tender	16,000,000	-
City of Matlosana / Munmap (Pty) Ltd		
The plaintiff is suing the Municipality for a tender dispute.	7,822,100	7,822,100
Owamajola / City of Matlosana		
The plaintiff sued the City of Matlosana for service rendered of R3 396 512.43	3,396,512	3,396,512
City of Matlosana / ET Motsemme		
The plaintiff is suing the municipality for wrongful dismissal	-	13,000,000
City of Matlosana / Bakgeni Civils & Construction		
Arbitration award for non monetary claim to supplier	151,000	-
Van Niekerk / City of Matlosana		
This matter relates to two respective issues. The first is a high court application launched by Van Niekerk against a Mr Coetzee in respect of a Land Use rights dispute wherein the COM has also been added as a respondent to defend certain decisions taken by it to approve the said Land Use Rights to Coetzee. The second part is an appeal to the COM against the decision by the COM to have approved the application of Coetzee for the acquired Land Use rights. The appeal process will undoubtedly result in a review application to the High Court once completed internally by the COM.	100,000	100,000
P&S Basson / City of Matlosana		
A summons was brought against the Council for psychological shock and emotional shock by the Plaintiffs.	283,200	283,200
Ke A Dira Construction CC / City of Matlosana		
Council is defending summons brought against the Council by the plaintiff for losses alleged to have been experienced due to the revision of tender FS 1/2011.	17,391,228	17,391,228
HL MATLALA T\A GOROGANG PLANT HIRE / City of Matlosana		
Goragang terminated its agreement with the city of matlosana and issued summons claiming the amount stipulated.	1,572,713	-
Itumre Building Supply CC / City of Matlosana		
The City of Matlosana is defending the matter. The case of action started during 2011	563,816	563,816
Itumeleng Phela / City of Matlosana		
On or about 25 August 2016, as a result of an alleged failure by certain employees of the CoM to secure a maintenance site where they were conducting maintenance work on water pipes. and the CoM is being sued for 10million	-	10,000,000
City of Matlosana / S.J Khabu		
The city of Matlosana is sued for the death of a contractor on site. The contractor was engulfed by the top soil while repairing a pipe and died as a result.	1,212,000	1,212,000
City of Matlosana / Bonang Trading Developments		

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
47. Contingent liabilities (continued)		
Breach of contract on training contract of ward members, The company has been liquidated, the owner of the company has passed on, rescission of the liquidation has not been filed	1,015,000	-
Invula Roads and Civil / City of Matlosana		
The claimant instituted legal action against the City of Matlosana for services rendered	268,383	268,383
City of Matlosana / Helgard Petrus De Clerq and others		
Eviction from private property resulting in an application for constitutional damages	6,000,000	6,000,000
Nicolaas Johannes Myburg / City of Matlosana		
Damages to his property due to fire outbreak after the fire brigade reacted to his call and arrived after their equipment malfunctioned	1,007,879	1,007,879
Tshireletso professional services/City of Matlosana		
Tshireletso instituted a legal proceeding claiming that the appointment of White Leopard Security services was unlawful	27,339,437	-
Vesta Technical Services (Pty) Ltd / City of Matlosana		
The claimant instituted legal action against the City of Matlosana for a cancelled service level agreement which the City is defending due to non functionality of the system the service provider had implemented.	15,080,630	-
City of Matlosana / Solid Base Trading CC		
Claim against City of Matlosana due to expropriation of land.	-	350,000
IMIC Investments (Pty) Ltd / City of Matlosana		
The claimant instituted legal action against the City of Matlosana.	329,536	329,536

48. Financial instruments disclosure

Categories of financial instruments

2018

Financial assets

	At amortised cost	Total
Other financial assets	32,166,298	32,166,298
Trade and other receivables from exchange transactions	32,743,259	32,743,259
Consumer debtors	358,590,205	358,590,205
Cash and cash equivalents	136,154,315	136,154,315
Deposits	15,000,000	15,000,000
Other receivables	111,402	111,402
	574,765,479	574,765,479

Financial liabilities

	At amortised cost	At cost	Total
Other financial liabilities	85,463,210	-	85,463,210
Trade and other payables from exchange transactions	-	904,850,933	904,850,933
Consumer Deposits	-	29,941,387	29,941,387
Unspent conditional grants	-	27,770,139	27,770,139

City of Matlosana

Annual Financial Statements for the year ended June 30, 2018

Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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Financial instruments disclosure (continued)

85,463,210	962,562,459	1,048,025,669
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2017

Financial assets

	At amortised cost	Total
Other financial assets	30,059,029	30,059,029
Trade and other receivables from exchange transactions	10,363,719	10,363,719
Consumer debtors	285,321,220	285,321,220
Cash and cash equivalents	90,532,317	90,532,317
Deposits	15,000,000	15,000,000
Other receivables	137,464	137,464
	431,413,749	431,413,749

Financial liabilities

	At amortised cost	At cost	Total
Other financial liabilities	101,268,114	-	101,268,114
Trade and other payables from exchange transactions	-	706,826,314	706,826,314
Consumer Deposits	-	24,124,748	24,124,748
Unspent conditional grants	-	8,586,956	8,586,956
	101,268,114	739,538,018	840,806,132

City of Matlosana
Appendix A

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable	Balance at Friday, June 30, 2017	Received during the period	Redeemed written off during the period	Balance at Saturday, June 30, 2018
		Rand	Rand	Rand	Rand
		-	-	-	-
		-	-	-	-
NW10959	30-Sep-2017	555,220	-	555,220	-
NW11182	30-Sep-2018	1,613,877	-	1,036,317	577,560
NW13637	30-Sep-2020	1,760,005	-	412,499	1,347,506
NW13874/1	30-Sep-2019	1,111,111	-	555,555	555,556
NW13874/2	30-Jun-2019	14,998,125	-	-	14,998,125
NW101297/1	30-Jun-2019	6,830,359	-	3,229,308	3,601,051
NW101297/2	30-Jun-2019	8,546,927	-	4,040,880	4,506,047
103677/1	1-Nov-2025	25,781,177	-	2,071,049	23,710,128
10556	31-Mar-2018	1,820,874	-	1,820,874	-
10906	30-Sep-2019	1,613,133	-	575,348	1,037,785
10912	30-Sep-2019	2,388,979	-	852,065	1,536,914
10913	30-Sep-2019	1,838,662	-	655,787	1,182,875
		69,250,855	-	16,197,308	53,053,547
		-	-	-	-
		69,250,855	-	16,197,308	53,053,547
		-	-	-	-
		-	-	-	-
		-	-	-	-
		-	-	-	-
		69,250,855	-	16,197,308	53,053,547